



December 18, 2003

Mr. William Skrabak
Division Chief
Division of Environmental Quality
301 King Street
Room 3900
Alexandria, VA 22314

Dear Mr. Skrabak,

The Washington Post recently printed an Opinion Editorial by Congressman James Moran which may have left the impression that Mirant's participation in an emissions "cap and trade" program somehow violated the Clean Air Act or Mirant's emissions requirements.

This is not the case.

Mirant's Mid-Atlantic generating stations participate in emissions trading programs developed by the U.S. EPA, and implemented by the states. Mirant's participation in the program is in full compliance with the requirements of the Clean Air Act.¹

The program allocates a fixed number of emissions allowances to Mirant and allows for flexibility in the methods Mirant may use to achieve compliance with the allowable emissions of nitrogen oxides (NOx).

One option to achieve compliance is to participate in EPA's NOx trading program. Under this program, Mirant can both sell emissions allowances from units that emitted less than their allocation, and purchase allowances for those units that emitted above their allocation. Through this means, on a regional basis, overall emissions of NOx are reduced.

Therefore, contrary to the implication of the article, Mirant did not buy emissions allowances because it "violated its permit." Mirant buys emissions allowances as a normal, permitted and legal means to achieve compliance with air quality laws.

¹ Mirant is currently in discussions with the Virginia Department of Environmental Quality over the interpretation of the trading component of the Potomac River Generating Station's operating permit.

Emissions trading has been proven to be one of the nation's most effective air quality programs. According to Jeff Holmstead, Assistant Administrator U.S. EPA, during his testimony to Congress in 2001, "allowance trading provides incentives for energy conservation and technology innovation that can both lower the cost of compliance and yield pollution prevention benefits." Recently, the new environmental administrator, Michael Leavitt, stated to agency employees that "the cap and trade approach shows us again and again that people do more, and they do it faster, when they have an incentive to do what's in the public interest."

Mirant's regional approach to air quality issues in the Washington, D.C. region includes participating in the cap and trade program and installing emissions control technologies where we get the most reductions for our investment – typically at our larger facilities. These activities are in accordance with the Clean Air Act and are approved and regulated by federal and state agencies.

Even at our smallest Mid-Atlantic station in Alexandria, we continue to reduce NOx emissions, which have dropped more than 30 percent in the past five years. And we are currently seeking regulatory approval to reduce NOx emissions even more at the station.

At Mirant we strive for continuous improvement in our environmental performance. Should you have any questions about Mirant's operations or environmental policies, please don't hesitate to contact me at 301.669.8149 or at steven.arabia@mirant.com.

Sincerely,

A handwritten signature in cursive script that reads "Steven L. Arabia".

Steven L. Arabia
Director, External Affairs
Mirant Mid-Atlantic/Mid-Continent